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## **THE EFFECT OF BALANCED SCORECARD ON PSYCHOLOGICAL EMPOWERMENT AND MANAGERIAL PERFORMANCE IN MALAYSIAN HOTEL SECTOR**

Shazrul Ekhmar Abdul Razak<sup>1</sup>, Mazlina Mustapha<sup>2</sup>, Nor Aziah Abu Kasim<sup>3</sup>

<sup>1</sup>Putra Business School, Universiti Putra Malaysia

<sup>2,3</sup>Faculty of Economics and Management, Universiti Putra Malaysia

**\*Corresponding E-mail:** shazrulse@gmail.com

### **Abstract**

In current competitive business environment where basic service facilities are homogenous, hotels must adapt themselves and find ways to improve their performance. Performance of hotels depends on how they deliver service to create value to customers. Hence, hotels need to emphasize on performance of employees, especially operation managers, as the services rendered determine the level of customers' satisfaction. Prior study has found that the use of Balanced Scorecard (BSC) is positively related to manager's performance. However, it is unclear whether the use of BSC could improve manager's performance in hotel sector. This study intends to provide useful insights by examining the effect of the use of BSC and performance of hotel managers in Malaysia the hotel sector. It is also proposed that the effect of the use of BSC on manager's performance is indirectly through mediating variable of psychological empowerment. Data were collected from a survey of 133 managers in 3, 4, and 5-star hotels in Malaysia. Results from Structural Equation Model (SEM) indicate that the use of BSC significantly influences managerial performance through mediating effect of psychological empowerment. In particular, the results highlight that the use of BSC influences manager's psychological empowerment, which therefore influences managerial performance.

**Keywords:** *Hotel, Balanced Scorecard, Managerial performance, Psychological empowerment, Structural Equation Model*

### **1.0 Introduction**

Tourism industry is one of the main contributors to the Malaysian economy (Awang, Aziz, & Samdin, 2015; Bhuiyan, Siwar, & Ismail, 2013). To date, the tourism is the second largest foreign exchange earner with contribution of RM51.2 billion to Gross National Income (GNI). According to Choo and Nasurdin (2013), the growth of tourism industry in Malaysia can be attributed to the increasing number of total tourist arrivals to Malaysia. In 2014, the number of tourists who visited Malaysia reaches to a new height of 27.44 million, 6.7% higher from 25.72 million in 2013 (Tourism Malaysia, 2014), with revenue generated of RM72 billion.

In Malaysia, the hotel sector has been recognised for its important role in supporting and complementing the tourism industry (Auzair, 2011). A statistics reported by Tourism Malaysia (2014) shows that the hotel sector is the largest contributor to tourism with 30.4% of total tourist expenditures. Considering tourists would be in a situation of being away from home, the need for accommodation such as hotel is necessary. In order for the hotel sector to uphold its entrusted role in continually supporting the growth of tourism, it is vital for hotels to provide superior service quality to attract new and to retain existing customers (Foo & Othman, 2011).

For hotels to be successful to provide superior service quality, hotels need to emphasize on the performance of hotel operation managers (Lu, Berchoux, Marek, & Chen, 2015). This is because other than serving the customers, they also have to fulfil the demands of top management and supervise lower level employees, resulting in work-related stress in the work environment (Kim, Murrmann, & Lee, 2009). Consequently, work stress is detrimental to the employees' motivation which will lead poor performance in providing good service quality to customers (Chiang, Birtch, & Kwan, 2010).

Motivating managers with flexibility and autonomy over their work can reduce work stress that may stimulate positive performance. Psychological empowerment is one of the motivational techniques that has an effect on managerial performance (Hall, 2008). In the hotel sector, empowering managers to deal efficiently with customer's demands or problems is important, where appropriate solution can be made to satisfy the customers (Chiang & Hsieh, 2012). Despite its potential benefits, it is still unclear as to what really motivate managers to perform their best, as positive behaviour and performance are vital in influencing customers' evaluation of service quality.

According to Franco-Santos, Lucianetti and Bourne (2012), one way to assist organization influencing positive behaviour that lead to better performance is by using performance measurement system (PMS) such as the BSC. It is claimed that information from the BSC measures will provide managers understanding of where the organization is heading, and motivate the managers to perform his/her function in bringing the organization to future success (Aunurrafiq, Sari, & Basri, 2015). In particular, the BSC is expected to have positive effects on managers' behaviour to enable them to perform well in the organization. While the effect of the BSC to the organizational performance have been extensively studied, its effects to managers behaviour and performance is limited to manufacturing firms (Hall, 2008; Lau, 2015), with limited studies focusing on such effect in the service industry (Lau, 2011), particularly in the hotel sector. Therefore, this study intends to provide a useful insight on the effect of BSC on managerial behaviour and performance. More specifically, this study focuses on the mediating effect of psychological empowerment between the BSC and managerial performance in the hotel sector, particularly in Malaysia.

The paper is organized as follows. The following section provides literature review and development of hypotheses. Next, methodology section explains data collection, measurement of variables and data analysis. It is followed by analysis and results, which lead to the discussion of the findings in the following section. The final section discusses the conclusions and limitations of the study.

## **2.0 Literature Review**

The use of PMS such as the BSC in business organizations is recommended especially for influencing individual's behaviour and enhancing their performance (Franco-Santos et al., 2012). According to Lau and Sholihin (2005), the BSC-managerial performance relationship can be explained by goal-setting theory. Goal setting is one of the motivational techniques used to stimulate individual's efforts to perform as expected in an organization (Yearta, Maitlis, & Briner, 1995). Goal-setting theory suggests that individual action is derived from clear and specific goals (Locke & Latham, 1991). Specifically, the theory posits that individual in an organization may contribute high performance with the use of specific and clear organizations' goals.

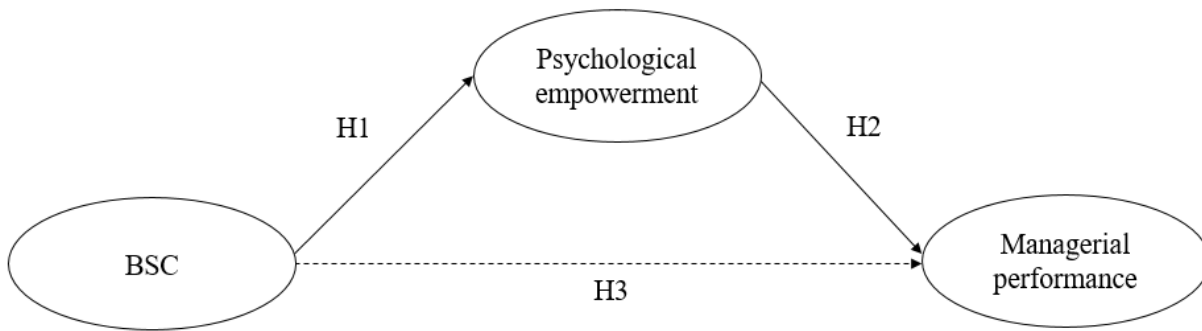
With regard to the use of BSC, many organizations translate their goals into a set of performance measures such as the one included in the BSC (Burney, Henle, & Widener, 2009; Ittner et al., 2003; Brewer & Speh, 2000). The theory explains that specific and clear performance measures can motivate individual to place extra effort towards goal attainment and, therefore, achieve better performance. Thus,

the theory predicts that the BSC is expected to have an indirect effect on managerial performance through enhancing managers' motivation (Hall, 2008; Sulaiman, 2008).

The BSC, developed by Kaplan and Norton (1992), consists of financial and non-financial measures namely, financial, customer, internal processes and learning and growth. The BSC allows managers to see and monitor the complete picture of business operation and its performance from multiple perspectives. It is claimed that the information provided by the BSC regarding to firm's critical success factors are deemed important for managers to excel in managing business operations (de Waal & Kourtiti, 2013). Hence, the use of BSC is important for hotel managers because their job requires a consideration of multiple aspects of business operations (Hall, 2008; Kim et al., 2009). By understanding what is expected of them in managing business operations, in terms of specific and clear performance measures, managers will be motivated and is likely to direct their behaviour for achieving better performance (Khan et al., 2010).

According to Thomas and Velthouse (1990), psychological empowerment is an internal motivator that inspires better working behaviour. Employees feel psychologically empowered when (1) they interpret their work as meaningful, (2) they feel competence to accomplish their work, (3) they have impact to the work outcomes, and (4) they have control and authority over their work (Fock et al., 2011). The higher the level of psychological empowerment, the more motivated the managers are to perform well at work (Afzali, Motahari, & Hatami-shirkouhi, 2014; Chiang & Jang, 2008; Chiang & Hsieh, 2012; Hall, 2008).

Figure 1 depicts the research framework used in this study. It indicates that the use of BSC enhances psychological empowerment (H1) and psychological empowerment improves managerial performance (H2). The framework also shows that the psychological empowerment mediates the relationship between the use of BSC and managerial performance (H3).



**Figure 1 : Research framework**

## **2.1 BSC and psychological empowerment**

Spreitzer (1995) noted that performance measures relating to organization activities are essential for development of psychological empowerment. Although the primary role of the performance measures in BSC is to monitor business operations, the performance measures also reflect the way the organizations communicate their objectives and goals to employees at all level (Kaplan & Norton, 1996). By having specific performance measures, managers' motivation may increase, as they are aware on the expectation in accomplishing organization's goals. For example, measures that relate to excellence service quality to increase customer satisfaction. Empowered employee would go extra miles to provide service quality that meet customer expectations without seeking advice from superior (Choo & Nasurdin, 2013). This is

because they believe that they are competent to make positive impact to their work role (Fock et al., 2011). As such, the performance measures in BSC that provide complete picture of business operations will enhance individual's psychological empowerment (Hall, 2008; Sulaiman, 2008), in terms of meaning of the job, competency to accomplish task-related, control over the work and influence over the work outcome (Chiang & Jang, 2008). Thus, performance measures in the BSC are expected to increase individual's psychological empowerment. It is hypothesized that:

**H1:** The use of BSC is positively associated to psychological empowerment.

## **2.2 Psychological empowerment and managerial performance**

Psychological empowerment refers to increased intrinsic motivation (Hall, 2008). Spreitzer (1995) stresses that psychological empowerment has a positive impact on work performance. If the employees are motivated to do their job and recognize meaningfulness of the job, they are likely to perform better (Chiang & Hsieh, 2012). The reason is that employees trust their ability to complete their work, and are confident of their competency that enhances performance. Empowered individuals will perform better than those who are less empowered (Hall, 2008). When employees feel they have meaningful job, they will appropriately exercise their abilities and skills as they believe they have influence over the work outcome (Abd Patah et al., 2009). Many studies noted that outcomes of psychological empowerment are work effectiveness, achievement and successes, and improved performance (Afzali et al., 2014). For example, Hall (2008) examined the influence of psychological empowerment on manager's performance. The results showed that psychological empowerment has positive influence on managerial performance. Chiang and Hsieh (2012) found positive relationship between hotel's employees performance with psychological empowerment. Moreover, Chiang and Jang (2008) and Kim et al. (2012) revealed that hotel that empower employee to make necessary decision and to allow them to do quick response to customer requests lead to improving service effectiveness and performance. Based on the discussion, this study proposes that:

**H2:** Psychological empowerment is positively associated to managerial performance.

## **2.3 Psychological empowerment mediates the relationship between the BSC and managerial performance**

The BSC consists of financial and non-financial measures such as customers, internal processes, and learning and growth. According to Ittner et al., (2003), it is important for organizations to use the performance measures in the BSC because the BSC can reflect the complete picture of the business operations, thus enabling managers to make better decisions (Banker et al., 2004; Lipe & Salterio, 2000). The information provided by the BSC is essential for managers because their jobs require consideration of multiple aspects of the business operations, which demand them to be motivated to accomplish their multiple jobs. For example, in hotel, general managers access the outcome of operation departments through financial indicator (Haktanir & Harris, 2005). Interestingly, the most critical aspect of the departments is to satisfy the customers and respond to their needs during their period of stay. This aspect requires positive behaviour and performance from managers to provide good service quality to the customers (Abd Patah et al., 2009). In this regard, the managers have to strike balance between providing service to customers and managing the department to fulfil the demand of top management. As such the performance measures in the BSC is essential to develop higher levels of psychological empowerment (Hall, 2008). Therefore, using the BSC in hotel is expected to increase managers' ability to see their work is meaningful, to develop their competency in related work, to understand the level of control they have over their work, and to perceive that they can influence their work outcome. In particular, the specific and clear performance measure provided over the works, the more motivated the managers to accomplish what has been set for them. Consequently, high level of psychological empowerment will lead to better managerial performance (Afzali et al., 2014). Based on the discussion, it is hypothesized:

**H3:** Psychological empowerment mediates the relationship between the use of BSC and managerial performance.

### **3.0 Methodology**

Data for this study was primarily collected using mail questionnaire. The questionnaires together with cover letter explaining the objectives of the study were distributed to the respondents. In addition, a pre-paid self-addressed envelope was also included to facilitate respondents to return the completed questionnaire. The respondents were hotel operation managers, ranging from supervisors, assistant managers and managers, of 3, 4, and 5-star hotels listed in the Malaysian Association of Hotels (MAH) as at 2014. The purpose of choosing operation managers because they are often split between hotel's and customers' demands (Fock et al., 2011), resulting them to experience work-related stress and role conflict (Karatepe & Uludag, 2008). Motivating with considerable flexibility is important to reduce work stress so that they can fulfil demands from hotel management and importantly provide good service quality to the customers. Further, the 3, 4, and 5-star hotels were selected on the basis that these hotels act as a benchmark to other categories of hotel to follow their success in the market (Masdek, 2010). In addition, the star rating denotes universally accepted standards of medium and large hotels where the interest of the BSC would be more likely to be implemented (Evans, 2005; Sainaghi, Phillips, & Corti, 2013). Stratified random sampling was employed in order to achieve equality in selecting respondent from each group of hotels.

The measurement of variables are as follows. Performance measures were based on four BSC perspectives. The performance measures were adapted from several literature in the area of tourism and hospitality. The respondents were required to indicate the extent of their firm's uses of each measure using a 7-point Likert-type scale ranging from 1 (not at all) to 7 (to a greater extent) across the four BSC perspectives. Psychological empowerment was adapted from Hall (2008). The 12-item scale was developed by Spreitzer (1995). The respondents were asked to indicate on a 7-point Likert scale (1 = strongly disagree to 7 = strongly agree) the extent to which they agreed or disagreed with each item. In order to measure managerial performance, self-rating instrument developed by Mahoney, Jerdee and Carrol (1965) was used in this study. This instrument has been widely used in management accounting study (e.g. Hall, 2008; Lau, 2011). Respondents were required to indicate on a 7-point Likert scale (1 = well below average to 7 = well above average) the extent to their performance based on each item.

Data was analysed using SPSS and SEM. The SPSS was employed to provide results of descriptive analyses. Meanwhile, SEM was used to explain the hypotheses formulated in research framework. SEM consists of two sequential procedures. The first procedure is to validate measurement model using confirmatory factor analysis (CFA). The second is structural model, which was used to confirm hypotheses of this study.

### **4.0 Analysis and Results**

#### **4.1 Respondent profile**

A total of 428 questionnaires were distributed to respondents in 3, 4 and 5-star hotels in Malaysia from October to December 2015. Of the distributed questionnaires, 162 were returned. 29 questionnaires were eliminated because they were partially completed. Consequently, 133 questionnaires were left usable, resulting response rate of 31.07%. Managers from three main department, which are front office (39.1%), housekeeping (18.5%), and food and beverage (17.3%) completed the questionnaires. A large portion of the respondents are aged 41 – 50 (35.3%) followed by respondents aged 31 – 40 years (30.1%). In addition, majority of the respondents possess Bachelor's Degree (48.8%), indicating that most of the

respondents are well educated. Finally, more than 65% of the respondents have been working for more than 5 years. The results suggest that the managers have vast experience in hotel operation particularly, and in the hotel sector generally.

## 4.2 Descriptive analyses

Table 1 illustrates that the mean score for the use of BSC measure is 4.56, indicating that the level of the use of performance measures in Malaysian hotel is to a fairly great extent. In addition, the average scores for managers' perception on the psychological empowerment is 5.62, indicating that managers agreed to the development of empowerment they have in their respective hotels. Likewise, the degree of agreement on managerial performance is high average (mean = 5.32), suggesting that managers agreed that their performance in their respective department was good. The results of standard tests of skewness and kurtosis indicate that there is no problem with normality assumption since the values are in acceptable range of  $\pm 3.0$  (George & Mallery, 2010). The data do not appear to deviate from a normal distribution, thus achieving the assumption of normality. Besides, the data is reliable when the Cronbach's alpha exceeds the cut-off point of 0.6.

**Table 1 : Descriptive analyses**

N = 133	Mean	Skewness	Kurtosis	Cronbach's alpha	Correlation		
					1	2	3
1. BSC	4.560	0.271	-0.281	0.880	1		
2. PE	5.619	-0.065	-0.534	0.917	.398**	1	
3. MP	5.324	-0.053	-0.528	0.879	.390**	.594**	1

*Note: BSC= Balanced Scorecard measures, PE = Psychological Empowerment, MP = Managerial Performance.*

*\* P-value<0.001; \*\* P-value<0.05; \*\*\* P-value<0.01*

Table 1 also presents the results of correlation analysis between the three variables in this study. As depicted in Table 4.1, the correlation among the variables range from 0.390 to 0.594. The results indicate that the multicollinearity effect is not a problem in this study as the correlations among the variables are below the threshold value of 0.8 or 0.9 (Gujarati, 2003, p. 359).

## 4.3 Measurement model

The purpose of measurement model is to validate the constructs developed in this study. In order to validate the constructs, the measurement model is assessed using confirmatory factor analysis (CFA). In CFA, the goodness-of-fit for the measurement model is examined followed by the exploration of convergent validity, construct reliability, and discriminant validity of each construct. Table 4.2 presents the results of the measurement model. First, the measurement model has an acceptable model fit,  $\chi^2/df = 1.331$ ; CFI = 0.948; IFI = 0.949; TLI = 0.942; and RMSEA = 0.050. Next, the factor loading of all the measurement items are above the minimum value of 0.5, validating its internal consistency to the respective constructs. The AVE for each construct is between 0.451 and 0.766, which is either closer to or higher than 0.50. Hence, the convergent validity of the measurement items is acceptable. Finally, the discriminant validity is also confirmed since the AVE of each constructs is greater than the squared correlation between constructs, proving that constructs are truly distinct from each other.

**Table 2 : Measurement model of constructs**

Items	Standardized factor loading	Construct Reliability	Average variance extracted (AVE)

<b>BSC measures</b>		<b>0.886</b>	<b>0.663</b>
Financial perspective	0.68		
Customer perspective	0.81		
Internal processes perspective	0.85		
Learning & growth perspective	0.90		
<b>Psychological empowerment</b>		<b>0.929</b>	<b>0.766</b>
Meaning		0.867	0.621
The work I do is meaningful to me.	0.81		
My job activities are personally meaningful to me.	0.81		
I am confident about my skills necessary for my jobs.	0.75		
Competence		0.784	0.552
I am confident about my ability to do my job.	0.83		
I am self-assured about my capabilities to perform my work activities.	0.78		
I have mastered the skills necessary for my job.	0.60		
Self-determination		0.807	0.583
I have significant autonomy in determining how I do my job.	0.77		
I can decide on my own how to do about doing my work.	0.78		
I have considerable opportunity for independence and freedom in how I do my job.	0.74		
Influence		0.843	0.641
My impact on what happens in my department is large.	0.75		
I have a great deal of control over what happens in my department.	0.83		
I have significant influences over what happens in my department.	0.82		
<b>Managerial performance</b>		<b>0.880</b>	<b>0.451</b>
<i>Planning</i> : determining goals, policies, and courses of action such as work scheduling, budgeting, and programming.	<b>0.63</b>		
<i>Investigating</i> : collecting and preparing of information usually in the form of records, reports and account (measuring output, record keeping and job analysis).	0.59		
<i>Coordinating</i> : exchanging information with people in organization other than my subordinates in order to relate and adjust procedures, policies and programs.	0.64		
<i>Evaluating</i> : assessment and appraisal of proposals or of reported/observed performance (e.g. employee appraisals, judging financial performance and product inspection).	0.70		
<i>Supervising</i> : directing, leading and developing your subordinates.	0.77		
<i>Staffing</i> : maintaining the work force of your responsibility area (e.g. selecting and promoting your subordinates.	0.68		

Negotiating: purchasing, selling, or contracting for products or services (e.g. contracting suppliers, collective bargaining).	0.65
Representing: advancing the general interests of my organization through speeches, consultations, or contact with individual or groups outside the company.	0.68
Overall, how do you rate your performance?	0.69
$\chi^2/df = 1.331$ , RMSEA = 0.05, CFI = 0.948, IFI = 0.949, and TLI = 0.942	

#### 4.4 Structural equation model

Structural equation model is used to examine the hypotheses of the study. According to Hair et al. (2010), SEM is a model that combines the aspect of multiple regression and factor analysis to verify series of interrelated relationships among variables simultaneously. The study begins with the comparison of model fit between partial mediation and full mediation model. Partial mediation model explains that the use of BSC has direct impact on managerial performance aside from its impact through psychological empowerment. On the other hand, full mediation model describes that the impact of the use of BSC on managerial performance is indirectly through psychological empowerment (*refer research framework*). The models are developed because one of the objectives of this study is to examine the effect of mediating variable.

Table 3 shows model fit between the partial mediation model and full mediation model. The full mediation model achieves the acceptable fit model. However, the partial mediation model presented a significantly better fit to the data. Therefore, results generated from the partial mediation model are used to explain the relationships among variables.

**Table 3 : Results for fit indexes of structural models**

Model	$\chi^2$	df	CFI (>0.9)	TLI (>0.9)	ILI (>0.9)	RMSEA (<0.08)
Partial mediation	356.70	268	0.948	0.949	0.942	0.051
Full mediation model	360.58	269	0.946	0.947	0.940	0.050

Table 4 indicates the results of the three model. Based on the partial mediation model, the use of BSC is significantly associated with psychological empowerment ( $\beta = 0.454$ ,  $p < 0.001$ ), validating Hypothesis 1. Psychological empowerment is found to have positive and significant impact on managerial performance ( $\beta = 0.505$ ,  $p < 0.001$ ), confirming Hypothesis 2.

Baron and Kenny's (1986) procedures are used to validate the mediating effect of psychological empowerment. According to Baron and Kenny (1986), mediation between variables is likely to occur when the following conditions are achieved. First, the independent variable must significantly affect the dependent variable (direct effect). Second, the independent variable must significantly affect the mediating variable. Third, the mediating variable must significantly affect the dependent variable. Finally, examine the effect of independent variable on dependent variables when the mediating is included. A full mediation is deemed to occur if the significant relationship between the independent and the dependent variables (condition 1) turns insignificant after the mediator is controlled (condition 4). In contrast, a partial mediation occurs if the significant relationship between the independent and the dependent variables (condition 1) is still significant after the mediator is included in the model (condition 4).



Based on the direct effect model, the use of BSC significantly influences managerial performance ( $\beta = 0.394$ ,  $p < 0.001$ ), thus proving the first condition. From the partial mediation model, the coefficient between the use of BSC and psychological empowerment is positive (BSC  $\rightarrow$  PE: 0.454,  $p < 0.001$ ), fitting the second condition. The third condition is confirmed by the significant positive association between the psychological empowerment and managerial performance (PE  $\rightarrow$  MP: 0.505,  $p < 0.001$ ). Since all the results fulfilled the Baron and Kenny (1986) procedures, the relationship between the use of BSC and managerial performance is mediated by psychological empowerment. Hence, hypothesis 3 is supported. In particular, this study found that psychological empowerment fully mediates the use of BSC and managerial performance. It is evident when the significant result between the BSC and managerial performance (direct effect model) turns insignificant after the mediator is included in the model (partial mediation model).

**Table 4:** Path of structural model

Path coefficients	Standardized path coefficients					
	Direct model		Full mediation model		Partial mediation model	
	Beta	p-value	Beta	p-value	Beta	p-value
BSC $\rightarrow$ MP	0.394	0.001*			0.156	0.051
BSC $\rightarrow$ PE			0.469	0.001*	0.454	0.001*
PE $\rightarrow$ MP			0.590	0.001*	0.505	0.001*

Note: BSC = Balanced Scorecard measures, PE = Psychological Empowerment, MP = Managerial Performance.

\* P-value < 0.001; \*\* P-value < 0.05; \*\*\* P-value < 0.01

## 5.0 Discussion

### 5.1 There is a positive association BSC and psychological empowerment

The results showed that there is a positive association between the use of BSC and psychological empowerment, implying that managers feel psychologically empowered with the use of specific and clear performance measures in an organization. Psychological empowerment is an internal motivator which inspires improved employee working behaviour (Thomas & Velthouse, 1990). Hence, providing managers with relevant performance information will increase feeling of psychological empowerment. The positive result in this study may be explained by goal-setting theory where the theory posits that psychological empowerment is a motivational process to enhance individual positive behaviour (Locke & Latham, 1991). By using specific BSC measures, the positive behaviour of hotel managers will be triggered because the measures provide understanding to the managers of what is required of them so that the managers are aware of the level of control or impact they have over their job. For example, a measure such as customer complaint will provide information to hotel manager to make appropriate decision in taking necessary action to deal with the complaint. Managers in front-desk may not be able to deal with the complaint relating to problem in room. By knowing the level of control or impact they have, the front-desk managers may direct the complaint to the more appropriate department, which is housekeeping department.

### 5.2 There is a positive association between psychological empowerment and managerial performance

Psychological empowerment significantly associates with managerial performance. The positive finding in this study implies that psychological empowerment acts as a motivator to energize, direct and exhibit positive employee behaviour that ultimately are associated with improved performance.

According to goal-setting theory, the psychological empowerment is a motivation and belief of ability the managers have to succeed in a specific situation or accomplish a related task (Locke & Latham, 1991). When hotel managers feel psychologically empowered, they believe that they have influence over their work outcomes. Consequently, they can control and accomplish their task without having doubts. As such, the performance is enhanced when employees feel empowered over their work. For example, understanding the level of boundary the hotel managers have over their job is important to not mislead the customers during the service encountered.

### **5.3 Psychological empowerment mediates the relationship between the use of BSC and managerial performance**

There is no direct relationship between the use of BSC measures and managerial performance. In fact, the effect of the use of BSC on managerial performance is fully mediated by psychological empowerment. According to Hall (2008), providing specific and clear performance information that reflects business operation is essential for the development of individual's psychological empowerment. High level of psychological empowerment leads to greater effort, which enhances work performance. Goal-setting theory can also be used to explain the findings of this study. According to goal-setting theory, specific performance measures that provide information on business operation will enhance individual intrinsic motivation (Locket & Latham, 1991; Thomas & Velthouse, 1990). Increased motivation directly influences managers to care more about their work, to believe the competency they have to perform their job and to give managers understanding the control they have over their work. All of these motivational factors will absolutely improve individual performance. In the hotel sector, hotel management should instil psychological empowerment to encourage operation managers to display better performance (Kim et al., 2012). High levels of psychological empowerment allow prompt response to customer request; improve service effectiveness and manager's performance (Chiang & Hsieh, 2012). In addition, managers who feel psychologically empowered to some extent have freedom to resolve customers' needs or problems in a way they feel is right based on their skills, experience and the control they have over the work outcomes. Hotel that exercises psychological empowerment will result in better performance, particularly to promptly meet customer expectations.

## **6.0 Conclusion**

The purpose of this study is to investigate the effect of the use of BSC on managerial performance. More specifically, this study focuses on the mediating effect of psychological empowerment between the BSC and managerial performance. This study is based on the responses of 133 managers of 3, 4, and 5-star hotels in Malaysia. Structural Equation Model technique is used to analyse the data. The results are as follows. First, the use of BSC is positively and significantly associated with enhanced psychological empowerment. Second, psychological empowerment has a significant effect on managerial performance. Third, the use of BSC does not have a direct effect on managerial performance, but is indirectly through the mediating variables of psychological empowerment. Thus, the results confirmed that psychological empowerment mediate the relationship between the use of BSC and managerial performance.

Theoretically, this study contributes to the body of knowledge regarding the effect of BSC on managerial performance in hotel sector particularly in a developing country. In addition, the findings provide significant evidence that effect of the BSC on managerial performance is via positive behaviour of psychological empowerment. Goal-setting theory therefore explains that the behavioural consequences of the use of BSC measures. This theory suggests that managers' attitudes and performance are affected by the increased in intrinsic motivation. Practically, the results of this study have important implication for hotel management. It is proven that the use of the BSC is useful for hotel sector to improve managerial

performance. More importantly, the effect of the BSC on managerial performance is explained by psychological empowerment. Thus, hotel management should provide clear performance measures so that individual psychological empowerment will be enhanced, which in turn, improve their performance. It should be noted that manager performance is crucial for hotel sector to satisfy their customer as fulfilling customer satisfaction is important for hotel to gain competitive advantage in today's business environment.

There are a number of limitations in the study. First, the generalizability of the findings should be taken with caution as the sample was solely selected from 3, 4, 5-star hotels. It is unclear if the findings could be generalized to other categories of hotels and to other components of tourism, such as restaurants, airlines, etc. Second, the findings of this study are constrained to departmental managers of hotels in Malaysia. Accordingly, the research findings cannot be extended to hotel managers outside Malaysia, or employees of other level of management. Finally, this study only incorporates one mediating variables, psychological empowerment. Other possible mediating variables such as role clarity and commitment are not investigated in this study. Therefore, extensive research is needed for the relationship between the use of BSC measures and behavioural effects to be fully understood. Notwithstanding these limitations, this study contributes to the literature by providing useful insight to the effect of the BSC on managers' behaviour and performance.

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